

Message Text

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PAGE 01 PARIS 11614 01 OF 02 080853Z
ACTION H-03

INFO OCT-01 EUR-08 IO-06 ISO-00 STRE-00 SS-15 NSC-06

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FM AMEMBASSY PARIS

TO SECSTATE WASHDC 9808

INFO ALL EC CAPITALS

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DEPT PASS STR ELECTRONICALLY

USEEC ALSO FOR EMBASSY

USMTN

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TAGS: OREP, ETRD, EEC, GATT, FR

SUBJ: CODEL STEIGER DISCUSSES MTN AND RELATED ISSUES

REF: STATE 078919

1. BEGIN SUMMARY: IN BRIEF BIT INTENSIVE DISCUSSIONS
WITH FRENCH OFFICIALS AND INDUSTRY REPRESENTATIVES,
REPRESENTATIVE STEIGER REVIEWED CURRENT TRADE POLICY
PROBLEMS - MTN, ESPECIALLY SAFEGUARDS AND SUBSIDIES/
COUNTERVAILING, AND STEEL. STEIGER CONVEYED HIS
CONCERNS ABOUT SELECTIVE SAFEGUARDS AS WELL AS
EMPHASIZING HOW ESSENTIAL IT IS TO MAKE PROGRESS ON
THE SUBSIDIES/COUNTERVAILING ISSUE. THE VISIT HAS
BEEN EXTREMELY USEFUL IN CONVEYING TO FRENCH THE
OVERALL CONGRESSIONAL ATMOSPHERE AND SENTIMENT ON
FOREIGN TRADE ISSUES AS WELL AS GIVING THEM MUCH FOOD
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PAGE 02 PARIS 11614 01 OF 02 080853Z

FOR THOUGHT ON THE SPECIFICS. THIS MESSAGE WAS
PREPARED AFTER CODEL'S DEPARTURE. END SUMMARY.

2. ON APRIL 7, REPRESENTATIVE STEIGER MET WITH
CARRON DE LA CARRIERE AND PREVEL OF THE EXTERNAL
DIRECTORATE, MINISTRY OF FOREIGN TRADE. DENIAU (JUST
APPOINTED MINISTER) AND OTHER OFFICIALS WERE UNAVAILABLE

DUE TO ORGANIZATION OF THE NEW GOVERNMENT. COMMITTEE STAFF MEMBERS CALHOUN AND ROHR ATTENDED, AS DID EMBASSY ECONMIN. AMBASSADOR HARTMAN JOINED THE GROUP FOR A SUBSEQUENT MEETING WITH PATRONAT PRESIDENT CEYRAC. THIS MESSAGE REPORTS HIGHLIGHTS OF BOTH DISCUSSIONS.

3. STEEL. CONGRESSMAN STEIGER POINTED OUT BOTH THE GROWING SENTIMENT IN CONGRESS AND IN THE U.S. STEEL INDUSTRY AND UNIONS IN FAVOR OF A WORLDWIDE LOOK AT THE STEEL SITUATION. HE MADE CLEAR THAT THIS IS NOT NECESSARILY A CURRENT ADMINISTRATION VIEW, HOWEVER. HE BELIEVED THAT DISCUSSIONS OUGHT TO FOCUS ON VARIOUS PROBLEMS INCLUDING CAPACITY AND THE SUPPLY-AND-DEMAND OUTLOOK. THESE WOULD BE DISCUSSIONS NOT NECESSARILY RESULTING IN ANY NEW "ARRANGEMENT." CARRON DE LA CARRIERE AND PREVEL TOOK NOTE OF STEIGER'S COMMENTS ON STEEL; SAID THAT THEY ARE VERY INTERESTED IN POSSIBILITIES FOR FUTURE OECD WORK IN THIS AREA; BUT HAD NO IDEAS YET ABOUT JUST HOW BEST TO PROCEED.

4. CEYRAC REGRETTED THE ABSENCE OF EUROFER PRESIDENT FERRY (OUT OF THE COUNTRY); SAID THAT FRENCH INDUSTRY IS NOT CONCERNED SIMPLY ABOUT PRICES; BUT IS ALSO VERY INTERESTED IN A GLOBAL APPROACH TO LOOK AT "A CERTAIN ORGANIZATION OF WORLD TRADE" AND DISTRIBUTION OF PRODUCTIVE CAPACITY. (EMBASSY COMMENT: CEYRAC LIMITED OFFICIAL USE

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PAGE 03 PARIS 11614 01 OF 02 080853Z

EMPHASIZED THAT THE PATRONAT IS NOT SUGGESTING ESTABLISHMENT OF A SORT OF INTERNATIONAL BUREAUCRACY. NEVERTHELESS, THE FRENCH STEEL INDUSTRY HAS A LONG-STANDING INTEREST IN SOME DEGREE OF MARKET SHARING. IT IS PARTLY AGAINST THIS BACKGROUND THAT CONGRESSMAN STEIGER MADE CLEAR THAT HIS SUGGESTION INVOLVED CONSULTATION AND EXCHANGE OF INFORMATION.)

5. MTN -- GENERAL. REPRESENTATIVE STEIGER EMPHASIZED THE CONGRESS'S ENHANCED ROLE AND DEEP INTEREST IN THE MTN; ITS DESIRE FOR A FAVORABLE RESULT; BUT ALSO ITS INSISTENCE ON A BALANCED PACKAGE DEALING WITH THE ESSENTIAL NON-TARIFF ISSUES WHICH ARE MORE IMPORTANT THAN TARIFFS. FRENCH OFFICIALS AND PATRONAT REPRESENTATIVES SPOKE OF THE IMPORTANCE FRANCE ATTACHES TO A SUCCESSFUL CONCLUSION TO NEGOTIATIONS COMPATIBLE WITH THEIR SPECIAL CONCERNS AND INTERESTS. CEYRAC EMPHASIZED THAT FRENCH INDUSTRY IS "REALISTIC" BUT NOT "NEGATIVE" ABOUT THE NEGOTIATIONS.

6. TARIFFS. PATRONAT OFFICIALS CRITICIZED THE U.S. OFFER AS BEING "PROTECTIONIST" IN TERMS OF SOME OF

THEIR KEY INTERESTS IN THE U.S. MARKET SUCH AS TEXTILES
AND WATCHES. THEY SAID THAT FRENCH INDUSTRY "DEPLORES"
THIS AND MADE CLEAR THEY HOPE FOR SOME IMPROVEMENTS.

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PAGE 01 PARIS 11614 02 OF 02 080830Z
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LIMITED OFFICIAL USE SECTION 02 OF 02 PARIS 11614

7. SAFEGUARDS. REPRESENTATIVE STEIGER INDICATED
SERIOUS CONCERN ABOUT RISKS AND DANGERS OF SELECTIVE
SAFEGUARDS. CARRON DE LA CARRIERE AND PREVEL REHEARSED
WELL-KNOWN FRENCH ARGUMENTS IN VIEW OF SELECTIVITY
ALTHOUGH THEY EMPHASIZED THAT THERE SHOULD BE
"MONITORING" TO AVOID ABUSE. THEIR ARGUMENT TURNED
ON THE THREAT FROM LDCE AND EASTERN EUROPEAN COMPETI-
TION AND DESIRE TO AVOID TAKING ACTION AGAINST SEVERAL
COUNTRIES IF THE PROBLEM IS CAUSED BY A SINGLE
EXPORTER. STEIGER AND STAFF MEMBERS STRESSED THE
POSSIBILITIES OFFERED BY EXISTING GATT SAFEGUARD
PROVISIONS IF PROPERLY USED. THEY INDICATED THE
UNDESIRABILITY OF INSTITUTIONALIZING WHAT WOULD AMOUNT
TO A MAJOR BACKWARD STEP IN INTERNATIONAL TRADE POLICY.
THEY RECOGNIZED ISSUES RAISED BY RECENT PRACTICES,
INCLUDING ORDERLY MARKETING ARRANGEMENTS, BUT THOUGHT
WE SHOULD TRY TO MOVE FORWARD IN IMPROVING GATT. CEYRAC
DID NOT COMMENT ON SAFEGUARDS IN DETAIL BUT DID MENTION
THAT FRENCH INDUSTRY CONSIDERS SOME ARRANGEMENT ON
SELECTIVITY AN ESSENTIAL PART OF A SATISFACTORY MTN
PACKAGE.

8. SUBSIDIES AND COUNTERVAILING. NOTING THERE HAS
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PAGE 02 PARIS 11614 02 OF 02 080830Z

BEEN LITTLE OR NO PROGRESS ON THE SUBSIDIES/COUNTER-VAILING ISSUE IN THE NEGOTIATIONS, REPRESENTATIVE STEIGER EMPHASIZED THE RISKS WE WILL ALL FACE NEXT JANUARY WHEN THE WAIVER AUTHORITY IN THE TRADE ACT EXPIRES. HE ANSWERED CRITICISMS BY BOTH THE FRENCH OFFICIALS AND PATRONAT REPRESENTATIVES REGARDING THE LACK OF A U.S. INJURY TEST FOR COUNTERVAILING. HE MADE CLEAR THAT THE CONGRESS WOULD NOT AGREE TO VIEW THE U.S. LAW AS THE HEART OF THE INTERNATIONAL PROBLEM. THERE MUST BE SOME MULTILATERAL UNDERSTANDING ON SUBSIDIES.

9. TRADE MINISTRY OFFICIALS ARGUED THAT IT IS MORE IMPORTANT TO MAKE THE PRESENT GATT PROVISIONS WORK THAN TO GET LOST IN COMPLEX EFFORTS TO CHANGE THE RULES ON SUBSIDIES. REPRESENTATIVE STEIGER REBUTTED THIS APPROACH VIGOROUSLY. HE RECOGNIZED THAT WE CANNOT FIND A PERFECT SOLUTION TO ALL DIFFICULTIES (E.G., ALL REGIONAL SUBSIDIES AND AIDS), BUT MAINTAINED THAT WE MIGHT MAKE REAL PROGRESS BY APPROACHING THE PROBLEM REALISTICALLY. FOR EXAMPLE WE NEED TO LOOK AT THIRD MARKET PROBLEMS AS WELL AS DIRECT BILATERAL TRADE ISSUES INVOLVING IMPORTANT SUBSIDY ELEMENT. INTERESTINGLY, THE PATRONAT REPRESENTATIVES STRESSED THAT THEY ARE ALSO VERY CONCERNED ABOUT SUBSIDIZED IMPORTS, CITING ITALY AND SPAIN AS EXAMPLES.

10. GOVERNMENT PROCUREMENT. CEYRAC AND HIS ASSOCIATES THOUGHT THAT PROGRESS WOULD BE POSSIBLE IN THE FIELD OF GOVERNMENT PROCUREMENT. THEY TOOK HEART FROM THE FACT THAT SOLUTIONS, ALBET PARTIAL, HAVE NOW BEEN FOUND WITHIN THE COMMUNITY FOLLOWING YEARS OF EFFORT. THE SAME PRINCIPLES MIGHT WORK ON A BROADER BASIS.
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PAGE 03 PARIS 11614 02 OF 02 080830Z

THEY BELIEVE, HOWEVER, THAT A MEANINGFUL AGREEMENT CAN BE APPLIED ONLY AMONG INDUSTRIALIZED COUNTRIES. THEREFORE THEY LEAN TOWARD THE OECD AS A FORUM. THEY NOTED STEIGER'S COMMENT THAT PRODUCT COVERAGE WOULD BE CRUCIAL FOR THE U.S. AND THAT THE CONGRESS WOULD NOT BE PREPARED TO BARGAIN THE BUY AMERICA ACT AGAINST UNSATISFACTORY CONCESSIONS ON THE PRACTICES OF OTHER COUNTRIES, INCLUDING FRANCE.

11. AGRICULTURE. IN A BRIEF DISCUSSION, CONGRESSMAN STEIGER MADE CLEAR THAT AGRICULTURE IS AN ESSENTIAL

PART OF THE MTN FOR US. FRANCH OFFICIAL SAID THIS
GOES FOR THE COMMUNITY ALSO. PREVEL PRONOUNCED
HIMSELF MILDLY OPTIMISTIC ABOUT CHANCES FOR A WHEAT
AGREEMENT BY JULY. HE BELIEVED IT WOULD BE POSSIBLE TO
FIND "TECHNICAL" SOLUTIONS FOR THE ISSUE OF PRICE
MINIMA AND MAXIMA. ON COARSE GRAINS, STEIGER QUESTIONED
WHETHER THE COMMUNITY REALLY NEEDS AN ARRANGEMENT, GIVEN
THE PREDOMINANT U.S. ROLE IN PRODUCTION AND CONSUMPTION.
PREVEL REPLIED THAT FRANCE STILL BELIEVES AN ARRANGEMENT
IS NEEDED DUE TO SUBSTITUTION POSSIBILITIES BETWEEN
WHEAT AND FEED GRAINS. HE CONSIDERED, HOWEVER, THAT A
MORE FLEXIBLE ARRANGEMENT COULD WORK IN THIS AREA THAN
IN WHEAT.

12. COMMENT: REPRESENTATIVE STEIGER'S MEETINGS WITH
FRENCH OFFICIALS AND INDUSTRY REPRESENTATIVES WERE
EXTREMELY USEFUL IN THE EMBASSY'S VIEW. AS CEYRAC PUT
IT, STEIGER CONVEYED HIS OWN AND CONGRESSIONAL VIEWS
WITH BOTH CLARITY AND FRANKNESS. IN PARTICULAR, HE
HAS HEIGHTENED FRENCH AWARENESS REGARDING THE DEPTH OF
FEELING IN THE U.S. ON SAFEGUARDS AND ON THE SUBSIDIES/
COUNTERVAILING ISSUE. THIS TELEGRAM WAS DRAFTED AFTER
CODEL STEIGER'S DEPARTURE. END COMMENT.
HARTMAN

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